

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SIMPSON COUNTY)	
WATER DISTRICT TO ISSUE SECURITIES)	
IN THE APPROXIMATE PRINCIPAL AMOUNT)	CASE NO.
OF \$919,300 FOR THE PURPOSE OF REFUNDING)	2003-00387
CERTAIN OUTSTANDING REVENUE BONDS OF)	
THE DISTRICT PURSUANT TO THE PROVISIONS)	
OF KRS 278.300 AND 807 KAR 5:001)	

ORDER

On October 3, 2003, Simpson County Water District (Simpson) submitted its application seeking Commission authority to obtain a Kentucky Rural Water Finance Corporation (KRWFC) loan in the amount of \$919,300, subject to an adjustment of up to 10 percent. Simpson estimates the KRWFC loan will have an 18-year term with an effective variable interest rate of 2.275 to 3.806 percent per annum. However, Simpson states that the KRWFC loan may vary from the present assumptions based upon market conditions and other business judgement factors.

As part of its application, Simpson moves for a deviation from the provision of Administrative Regulation 807 KAR 5:001, Section 6, requiring that, [w]henever in these rules it is provided that a financial exhibit shall be annexed to the application, the said exhibit shall cover operations for a twelve (12) month period, said period ending not more than ninety (90) days prior to the date the application is filed. However, Section 14 of that regulation permits a deviation upon the showing of good cause.

In support of its request, Simpson states that there has been no change that is material in nature in the financial condition or operation of Simpson since December 31,

2002. In its application, Simpson uses the financial data for the 12-month period ending December 31, 2002, the most recent published financial data available. Furthermore, because of the volatility of the bond market, Simpson claims that it cannot run the risk of delaying the closing of the proposed KRWFC loan while more current financial data is compiled. Having considered Simpson's requested deviation, the Commission has determined that good cause for granting the deviation has been presented, and that there is sufficient financial information in the record for it to render a decision regarding the proposed KRWFC loan.

The loan proceeds of \$919,300 and internal funds of \$45,653 will be used to pay all issuance costs and refund: (1) Simpson County Water District Water System Revenue Bonds of 1972, dated March 29, 1973, in the original principal amount of \$250,000; (2) Simpson County Water District Water System Revenue Bonds of 1976, dated May 12, 1977, in the original principal amount of \$215,000; (3) Simpson County Water District Water System Revenue Bonds of 1979, dated July 19, 1979, in the original principal amount of \$250,000; and (4) Simpson County Water District Water System Revenue Bonds of 1981, dated February 17, 1983, in the original principal amount of \$793,000. All Bond Series to be refunded are currently held by the U.S. Department of Agriculture, acting through Rural Development, and bear interest at the rate of 5 percent per annum. Simpson estimates that the proposed refunding will result in net present value savings of \$44,940.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Simpson's proposed KRWFC loan is for a lawful object

within its corporate purpose, is necessary and appropriate for and consistent with the proper performance of its service to the public, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Simpson's motion to deviate from Administrative Regulation 807 KAR 5:001, Section 6, is granted.

2. Simpson is authorized to obtain the KRWFC loan, but only under such terms and conditions that will produce positive net present value savings.

3. If the actual terms and conditions of the KRWFC loan differ from those set forth in the application, Simpson shall, within 30 days of obtaining the loan authorized in this proceeding, file with the Commission amortization schedules and workpapers showing the gross and net present value savings that resulted from refinancing of the outstanding revenue bonds.

4. Simpson shall, within 30 days of obtaining the KRWFC loan authorized herein, file with the Commission a statement setting forth the date the loan was obtained, the actual interest rates, and the principal amount.

5. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 24th day of October, 2003.

By the Commission

ATTEST:


Executive Director